

**SECRET**

5 April 1965

Dear Paul:

I am enclosing a copy of [ ] proposed settlement for Contract GA-1853. The final settlement figure is [ ] which is [ ] over and above the CPFF contract price in the last amendment to this contract.

I invite your attention to the overhead rates. When I first started with [ ] the overhead rate was [ ] as you can see it has been going up and in 1964 was [ ] As I explained before this is the result of a drop off in business at [ ]

The [ ] figure results from a detailed audit by [ ] one of [ ] resident auditors in this area. This figure reflects disallowances both in the prime contract and in the subcontract with [ ]

In addition to settlement of Contract GA-1853 I enclose the cost estimate for the follow-on effort at [ ] This is Contract GB-1965. You may recall that I explained why it was necessary to reduce the hours on this follow-on effort because of the additional funding needed to cover the overhead rate adjustment on Contract GA-1853. [ ] is now quoting [ ] for the follow-on effort. You had made some [ ] available for this effort. Would like to suggest that you check with [ ] and come to some conclusion as to whether the 152 hours for [ ] and 102 hours for [ ] are sufficient to cover the effort involved. If you decide that more hours will be necessary to take care of this requirement we will have to get more money to cover it but I believe this can be postponed for several weeks at least.

I guess that is about all I just wanted to send in the foregoing for your general information.

Art

Attachment

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